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CHILEAN FARMERS BRACE FOR WORSENING DROUGHT

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USDA's Barter Program —H

By JEAN B. NOLLMEYER
Office of Barter and Stockpiling
Foreign Agricultural Service

Barter trading of U.S. agricultural commodities is a small but highly flexible and effective program for bringing more American dollars into the United States. It is probably also one of the least understood.

The barter program aims have changed broadly over the last two decades; and, in a sense, the title word "barter" now is a misnomer. Most transactions under USDA's current program only partly conform to the classical definition of barter. They conform in the sense that the government starts a transaction with agricultural commodities and ends it with supplies and services. However, the intermediate steps in the transaction often involve the sale of agricultural commodities abroad for cash which is then used to buy supplies or services for U.S. Government installations abroad. In many respects, therefore, barter transactions now are basically commercial sales. Since 1964 these sales have added up to about $1 billion.

When the barter program was begun in 1950, it followed the fundamental principle of classic barter, swapping what we had for what we didn't have. The program traded our agricultural abundance—wheat, corn, tobacco, and cotton—for much needed minerals and metals like aluminum, tin, and lead. Experience during time of war showed that critically needed minerals and metals would not always be available from foreign sources. For this reason, a stockpile program was launched to insure the future availability of such materials.

Although obtaining foreign-produced minerals and metals for the stockpile was the program's primary goal, agricultural commodities were exchanged to a limited extent for goods and services needed by overseas U.S. agencies like the Department of Defense, AID, and others. From 1950 through 1962 total barter contracting reached $1.6 billion, all but about $100 million for minerals and metals.

Shift in emphasis

By 1962 most of the government's stockpiling needs had been met and were being overshadowed by a more serious and immediate problem—the drain of our supply of gold and dollars. Government spending overseas was a significant factor in this drain, with major expenditures for our military bases and operations and AID programs. USDA began using the barter program to offset some of this outflow of dollars by assuring an equal or greater flow of dollars into the United States. This was done through exports of farm products in addition to those made through normal commercial channels.

Now in its sixth year, USDA's "new-style" barter program has strengthened the U.S. balance of payments position as a boon to commercial exports.

...m —How It's Changed, What It's Doing

Through the barter program, these overseas agencies now receive some of their supplies and services through a system which incorporates a unique relationship between the U.S. Government and private industry. There are basically two kinds of transaction under the new-style program, both of which are administered by USDA and carried out by a private firm or individual under a contract. Briefly, "direct procurement" requires that the contractor himself supply foreign-produced cement, fertilizer, or whatever is needed by the overseas installation. Those called "barter payment arrangements," the most common, require that the contractor send funds to the installation which then buys its own supplies.

In the 5 full years since barter program emphasis shifted, the range of goods and services obtained for other agencies has been diverse. Aircraft maintenance and modification services have been procured through barter for the Department of Defense, and zinc was delivered abroad under the programs of the Agency for International Development. Items for Defense Department use have covered the full assortment of goods and services needed to run our installations abroad. Barter has procured wall lockers, items for Post Exchange sale, newsprint to be used by "The Stars and Stripes," and installations of telephone equipment.

Items obtained have been used by Army, Air Force, and Navy installations in Belgium, Germany, Italy, Turkey, the United Kingdom, Japan, Thailand, South Vietnam, and the Philippines. In furtherance of AID programs, barter has delivered cement, fertilizer, jute, zinc, petroleum, and other products to friendly countries such as India, South Vietnam, Pakistan, South Korea, Laos, and Tunisia.

How the program works

Transactions are initiated when government agencies request barter assistance in obtaining supplies and services for which they certify they will otherwise spend dollars overseas. The Commodity Credit Corporation then signs contracts with private firms to sell agricultural commodities in selected world markets. The value of the commodities to be exported is usually slightly more than the value of the supplies and services needed. This additional amount, called the "barter disposal cost," serves as an incentive for participation in the program. More than that, it provides the contractor with compensation for special financing costs and for assuming the risk of exporting commodities to USDA-restricted destinations (more about this later). Further, it provides the exporter with some flexibility in meeting foreign competition in markets which are poor prospects for normal U.S. exports.

The amount of the barter cost is determined on a competitive bid basis. In releases to the public, the Department of Agriculture invites barter offers and accepts those with the lowest barter cost.

Once the contract is signed, agricultural commodities in CCC inventories (or private stock commodities likely to end up in CCC inventories) are turned over to the contractor for sale abroad. Depending on the type of agreement, the contractor will either use the funds from the commodities' sales to purchase supplies and ship them to an overseas installation, or he will send the funds directly. When either of these are received by the U.S. installation overseas, equal amounts of government-appropriated funds are sent to CCC as payments for the commodities.

The most important objective of the barter program is to boost the level of this country's agricultural exports. Wherever the contractor's barter sales move commodities into markets where regular commercial sales are limited, an export increase is achieved.

Commodities and customers

The commodities now eligible for acquisition from inventories held by CCC are tobacco, cotton, and oats. Commodities which may be acquired from private stocks in the United States include wheat and flour, feedgrains (corn, grain sorghums, barley, and oats), cotton, tobacco, and vegetable oils (cottonseed and soybean oils).

USDA seeks to prevent barter exports from moving into cash markets where they would probably displace, rather than add to, U.S. commercial exports. Like other aspects of program operations, the countries eligible to receive barter commodities have changed from time to time.

For a number of years, barter commodities could be exported to any friendly foreign country without limitation. Since 1957 barter exports to primary U.S. commercial markets have been prohibited, and exports to secondary markets made after a USDA decision that barter exports will add to anticipated U.S. commercial sales. Barter exports to lesser U.S. markets are encouraged. The table below shows the shift in this direction.

Barter levels during fiscal 1963 were low because the program was under study much of the time. Total contracts that year equaled $39.4 million. Contracts obtaining items for

U.S. BARTER PROCUREMENTS 1964-68

Fiscal year	For U.S. agencies		For material stockpiling		
	Value	Percent of total	Value	Percent of total	Total value
	Mil. dol.	*Percent*	*Mil. dol.*	*Percent*	*Mil. dol.*
1964	88.6	52	81.1	48	169.7
1965	137.0	100	....	....	137.0
1966	229.8	87	35.1	13	264.9
1967	250.8	97	8.8	3	259.6
1968	284.4	100	....	....	284.4
Total	990.6		125.0		1,115.6

overseas agencies reached $23.6 million and contracts for minerals and metals totaled $15.8 million.

Once the program got underway, the value of contracting for goods and services significantly increased each year, as the table below illustrates:

U.S. BARTER EXPORTS BY DESTINATION

Destination	July 1954-June 1957	July 1957-December 1962	January 1963-June 1968
	1,000 dollars	*1,000 dollars*	*1,000 dollars*
Western Europe and Japan	753,282	430,046	[1] 257,845
Others	70,197	321,631	838,518
Total	823,479	751,677	1,096,363

[1] 65 percent represents exports of commodities, particularly tobacco, approved after USDA determination that barter exports would be additional to U.S. commercial sales.

Paralleling the significant increase in contracting levels in the past 5 years, barter export values dramatically increased from a low of $112 million in fiscal 1964 to a high of $300 million in 1968. Export values in 1968 were at the second highest level in program history. Exports of wheat and flour—the major commodities exported under barter—accounted for $418 million, 40 percent of the 5-year total. Tobacco ranked second with a value of $236 million, followed closely by cotton, $216 million. The balance of exports were feedgrains, $99 million; vegetable oils, $91 million; and minor exports of dairy products and cigarettes, valued at $8 million.

About 90 countries have received the agricultural commodities exported under barter contracts since 1964. Largest of the recipients was Brazil, which received agricultural commodities valued at $144 million. Other major recipients were Taiwan, $82 million; the United Kingdom, $73 million; India, $59 million; South Korea, $55 million; Peru, $50 million; Israel, $45 million, and the Philippines and Colombia, each $42 million.

Britain's Grain Trade Maintains an Even Keel

An increased share of the U.K. grain demand was supplied by home-grown crops in 1967-68, but total grain imports remained relatively steady. Breadgrains (except rye) and feedgrains were down about 2 percent, with the biggest reductions in barley, sorghums, and oats. Imports of feed wheat and corn rose.

Wheat and flour imports (wheat equivalent) in 1967-68 at 4.01 million long tons were 2½ percent smaller than in the previous year—the lowest total since 1953-54. A large, high-quality crop, from which a larger than usual amount was taken for milling, was responsible.

The overall decrease in feedgrain imports to 3.97 million tons represents a mixed situation for the four principal feedgrains.

Corn imports rose 11½ percent to 3.73 million tons. Just about balancing this were declines in sorghums (to 124,000 tons, only 25 percent of the 1966-67 total), barley (down 40 percent to 107,000 tons), and oats (at one-fifth of last year's 25,000-ton import). A low level of corn prices for most of the year was the prime cause for both the rises and declines. Last year's record domestic barley crop contributed to this year's low level of barley imports.

This year's wheat import trade saw a threefold increase to 299,000 tons in feed wheat imports from France and a substantial rise in the transshipment trade via the Netherlands. The dramatic increase in feed wheat imports from Europe, especially during January-June 1968, contributed substantially. During these 6 months, imports of denatured wheat amounted to 79,659 tons, whereas in the same 1967 period the total was only 2,737.

However, shipments from all other supplier countries were lower than in 1966-67. Imports from Canada, by far the largest source of supply, fell 7 percent to 1.62 million tons, and imports from Australia dropped 13½ percent to 369,000. At 232,000 tons U.S. direct wheat shipments did not reach even half the 1966-67 level. Argentine wheat exports to the United Kingdom dropped even more sharply—from 239,000 to 50,000 tons.

Wheat flour imports plummeted 45 percent to 83,000 tons (actual weight).

Rye imports showed a moderate increase of 18½ percent, with all but a very small proportion coming from Canada.

The dominance of the U.S. supplier in British imports of corn—the only feedgrain with a growing import volume—increased during 1967-68. Direct shipments amounted to 1.86 million tons, 4 percent above those of the previous year. About 680,000 tons are estimated to have arrived in the United Kingdom after transshipment via European ports, bringing the U.S. total to approximately 2.5 million tons, about 200,000 above the combined total for 1966-67. Corn imports from South Africa also registered a very marked increase—up from 171,000 tons to 875,000 in the year just ended.

Imports of oats and barley—both down appreciably from 1966-67—came chiefly, as usual, from Canada and Australia. Direct imports of sorghums from the United States amounted to only 5,000 tons in 1967-68, compared to 109,000 a year earlier; transshipments also dropped, from 160,000 tons to just over 30,000.

Wheat exports rose 12½ percent to 4,745 tons. Ireland remained the chief market, but shipment to West Germany increased markedly to 800 tons. Barley exports were fairly satisfactory, although the 686,000-ton total fell far short of the 1.09 million tons shipped last year. Chiefly responsible were the smaller barley shipments to Spain—23,000 tons compared to 328,000 in 1966-67.

In 1967-68 grain prices for most of the year were lower than during the previous year—particularly for home-grown grains. The most significant development in government policy regarding grains during recent months has been the upward revision of the minimum import prices for grains, increased because of the devaluation of the pound sterling last November. The amount of the increase in the minimum prices was 12 to 13 percent for wheat and around 9 percent for feedgrains. (The amount of sterling devaluation was 16.67 percent.) The continuing low c.i.f. prices of corn have recently triggered the imposition of a prospective rate of country levy on U.S. Yellow corn, because quotations for coming months are below the revised minimum import price level of US$56.08 per ton.

—Based on dispatch from DAVID L. HUME
U.S. Agricultural Attaché, London

Report from the attache

Chilean Farmers Brace for Worsening Drought

September is the month that ushers in spring in Chile and reminds those who enjoy its beauty that summer is on its way. This year, however, it is an ominous reminder. The drought that has afflicted Chile's Central Valley all winter continues with no indication of relief in sight. In fact, the days in which some rain may be expected this year diminish each week with the approach of the traditionally drier spring and summer seasons.

To the average Santiaguino, however, the full consequences of what may lie ahead are hard to realize. The weather is incomparably beautiful, and the parks and gardens in Santiago are green and lush. Flowering cherries, quince, almonds, and other early varieties of trees, shrubs, and flowers are in full bloom.

Winter vegetables have been plentiful and of the best quality ever, the result of no hard freezes and the use of scarce irrigation water that would normally be held in reserve for orchards, vineyards, vegetables, and other crops during late spring and summer.

Pastures hit, animal deaths high

Only livestock producers have had to face the grim reality at this date of what may be the worst drought ever in Chile's central provinces. Sheep producers, who normally depend on nonirrigated hills, mountains, and valleys for an almost inexhaustible supply of green grass for winter and spring grazing have had to confine their sheep for feeding or let them roam over dry and almost barren hills. Estimated deaths throughout the drought area have been placed at between 300,000 and 400,000 head, mostly baby lambs. Some producers have reported that they destroyed the lambs at birth in order to conserve the strength and possibly the lives of the weakened mothers.

Losses of cattle and calves have been estimated at between 200,000 and 300,000 head, with losses being proportionately larger on small farms. Most large producers have a reserve of irrigated pastures which they are using as a source of emergency grazing.

During the first 8 months of 1968, rainfall in the Provinces of Coquimbo through Nuble ranged from 13 percent of normal in the Santiago Province to 35 percent in Nuble. Both Coquimbo and Santiago had less than 1.5 inches of precipitation.

The emergency drought zone—once considered to include Coquimbo through Colchagua—has been extended through Nuble. With the increase in size of the drought area the proportion of cereals and livestock in the emergency zone increased from less than 20 percent to around one-third of the livestock and over one-half the cereals.

The Agricultural and Livestock Service of the Ministry of Agriculture reports that of the 2.80 million acres of land which are normally irrigated in the Provinces of Atacama through Nuble, only about 1.65 million—or about 58 percent—can be irrigated during 1968-69. The magnitude of the problem is reflected in the fact that 90 percent of the irrigated land in Chile and some of the most productive land in the country are in the above Provinces.

According to the Ministry of Agriculture, irrigation water will be authorized for such uses as will maximize productivity and minimize losses of agricultural investments. Priority will be given to maintaining high-cost investments such as fruit orchards, vineyards, and improved pastures; the production of perishable products—such as truck crops, which cannot be imported; and the production of commodities which provide employment for a large number of workers, such as tobacco and sugarbeets.

Much of the above area will be irrigated for the purpose of saving the investment without trying to obtain high or even normal yields.

Special attention will be given to the production of vegetables because of their importance as a source of food. Furthermore, vegetable production and marketing provides employment for a large number of hand laborers. Vegetables cannot be imported, and they have a large weight on the cost-of-living index.

Several special consideration measures are being extended to vegetable farmers hurt by the continuing drought. Producers will have priority in the use of water for irrigation from the Maipo River and have preferences in obtaining special credits available to farmers affected by the drought. Specifically, they will be granted a discount on the cost of electricity used for mechanical irrigation. The government also will make an effort to stimulate the production of early potato varieties by maintaining their free price up to the first week in December.

Selective irrigation

The Ministry of Agriculture reports that it will be necessary to devote the largest irrigated area possible to the planting of oats, feed peas, sorghum, and other feed crops to have forage from November on, when the scarcity of forage will reach its highest peak. Practically all the dry land pasture fields have been lost or severely damaged. Feed availability in the affected areas is down 610,000 feed units from a needed 1.5 million, a feed scarcity affecting a livestock population of 400,000 cattle; almost a million goats and sheep; and 120 horses, asses, and mules. Priority of survival should be given to dairy cattle, meat cattle, and meat sheep in that order. Any animal moved out of the drought area must have an up-to-date anti-aftosa certificate.

Food levels down, jobs threatened

The decrease in the cultivated areas of cereals and truck crops could mean a loss of more than 12 million man-days of work. Exportable products of the area could disappear. The acreage in wheat and beans—basic food for the Chileans—could diminish by 26 and 46 percent, respectively, in the affected area. The area devoted to corn could decrease by 68 percent and have a serious effect on the country's poultry and hog industries.

The national economy will suffer through a decrease in demand for inputs and industrial products in general, while the scarcity of agricultural products may lead to higher food prices and create inflationary pressure in all areas.

—WALDO S. ROWAN
U.S. Agricultural Attaché, Santiago

New Group To Push Agribusiness Exports

Ways to expand U.S. exports of agricultural-related products and services and to coordinate and intensify overseas development efforts came under review earlier this month at the first meeting of the newly organized Agribusiness Industry Advisory Committee.

This 27-member committee, composed of leaders of agribusiness industries concerned with agricultural production and export trade, met on September 13 in Washington, D.C., with officials of the Departments of Agriculture and Commerce in a historical first linking of the three groups in a common trade effort. Speakers at the meeting included Secretary of Agriculture Orville L. Freeman, Secretary of Commerce C. R. Smith, Under Secretary of Commerce Joseph W. Bartlett, Assistant Secretary of Agriculture for International Affairs Dorothy H. Jacobson, and Assistant Secretary of Commerce for Domestic and International Business Lawrence C. McQuade.

Speakers noted that foreign countries are outstanding potential markets for U.S. farm products, equipment, and materials if agriculture, industry, and government agencies cooperate effectively in taking advantage of the opportunity. It was pointed out that U.S. agribusiness exports alone exceeded $1 billion last year and that 1968 exports may be double what they were 6 years ago. Between 1962 and 1967 these exports increased by about 80 percent; total U.S. exports rose 45 percent, and farm product exports 25 percent.

Speakers commended the increasingly complementary relationship between exports of products from American farms and exports from American agribusiness industries. In many cases, they said, an entirely new agribusiness industry has arisen in an importing country in order to utilize imports of U.S. agricultural products such as feedgrains or wheat or soybeans. Creation of such industries, they said, has brought new orders for needed equipment from the United States.

Similarly, they said, in the many countries where agriculture is moving ahead, increasing need is arising for agribusiness products for producing, processing, transporting, and marketing the increased volume of farm output.

Speakers noted that expansion of U.S. exports of agribusiness equipment and materials can both help solve the world food problem by encouraging agricultural development and make a significant contribution to meeting the U.S. balance of payments problem.

The advisory committee will be a major source of ideas and programs to help identify profitable opportunities for U.S. agribusiness exports and export-related investment in foreign markets, particularly in the new markets in developing countries. Ways to expand agribusiness trade overseas were brought to the attention of the committee, including participation in Commerce Department's new Joint Export Association program, utilization of farm service centers in developing countries, and formation of agribusiness trade missions to sell products and provide training and services. It was recognized that existing programs should be strengthened.

The committee also stressed the need for improved communication between the agribusiness industry and the government. With this and other goals in mind, it took steps to set up a long-term working program, to appoint a steering committee and working committees to give leadership to the work, and to meet again late in 1968 or early in 1969.

Co-chairmen of the meeting were Martin E. Abel, Deputy Assistant Secretary of Agriculture for International Affairs, and Stanley Nehmer, Deputy Assistant Secretary of Commerce for Resources.

Members of the Agribusiness Industry Advisory Committee

William Beers, President, National Dairy Products Corporation, New York, New York
D. W. Brooks, Executive Vice President and General Manager, Cotton Producers Association, Atlanta, Georgia
Charles W. Call, Jr., President and Chief Executive Officer, Ward Foods, New York, New York
D. Kenneth Christensen, Chairman of the Board, Northrup, King and Co., Minneapolis, Minnesota
George L. Clements, Chairman Board of Directors and Chief Executive Officer, Jewel Companies, Melrose Park, Illinois
Owen Cooper, President, Mississippi Chemical, Yazoo City, Mississippi
F. O. Cullen, Vice President, Del Monte, San Francisco, California
James Dean, General Manager, Farmers Cooperative Com., Hutchinson, Kansas
R. Hal Dean, President and Chairman of the Board, Ralston Purina, St. Louis, Missouri
Charles S. Dennison, Vice President, International Minerals and Chemical, New York, New York
John P. Duncan, Jr., Manager, Southern Railway System, Washington, D.C.
C. Coleman Fisher, Vice President, Mobil Chemical International, New York, New York
John M. Fox, Chairman of the Board, United Fruit, Boston, Massachusetts
John Graflund, Vice President, Deere and Co., Moline, Illinois
Henry J. Heinz II, Chairman of the Board, H. J. Heinz Co., Pittsburgh, Pennsylvania
William J. Jensen, Vice President and General Manager, Butler Mfg., Kansas City, Missouri
Robert D. McEvers, Vice President and General Manager, Union Tank Car Co., Chicago, Illinois
Robert McLellan, Vice President, FMC International, San Jose, California
Harold W. McMillen, Chairman of the Board, Central Soya Co., Fort Wayne, Indiana
Lee L. Morgan, Executive Vice President, Caterpillar Tractor Co., Peoria, Illinois
John T. Phillips, Jr., President, Lilliston Corp., Albany, Georgia
Wayne Richardson, Jr., President, Hawaiian Agronomics Co., Honolulu, Hawaii
Robert Stuart, President and Chief Executive Officer, National Can Corp., Chicago, Illinois
Donald O. Swan, President, Esso Chemical Co., New York, New York
Jonathan S. Tobey, Technical Director for Agriculture, Chase Manhattan Bank, New York, New York
Richard H. Wellman, Vice President and General Manager of Agricultural Products, Union Carbide, New York, New York
Henry H. Wilson, President, Chicago Board of Trade, Chicago, Illinois

Martin E. Abel, *Deputy Assistant Secretary of Agriculture for International Affairs, describes four programs that help build U.S. export trade.*

How Farm Exports Aid Agribusiness Trade

Some of the U.S. Government programs used in our agricultural export operations employ considerable ingenuity not only to help expand the export movement of farm products but also to help stimulate economic development in the importing country—thereby helping to increase demand for agribusiness products.

These are, basically, financing programs. They are good tools. We have had a lot of satisfactory experience with them. We find that they are useful both to help capture a larger share of the foreign market for our agricultural products and to help expand the market for all products.

There are four of these programs:

- CCC export credit sales program;
- Private trade sales agreements;
- Loans to private enterprise (Cooley loans);
- Agricultural market development program.

The first of these is financed under the borrowing authority of the Commodity Credit Corporation of the Department of Agriculture.

The other three are financed under authorizations of Public Law 480, the foreign food aid program which more formally is known as the Agricultural Trade Development and Assistance Act of 1954.

CCC export credit sales program

The Commodity Credit Corporation, which is a government corporation operating under general direction of the Secretary of Agriculture, has been in existence since 1933. Much of the work of CCC concerns domestic agricultural programs, including the financing of price support and production adjustment programs. CCC also is involved, however, in several export activities, and one of them is the CCC export credit sales program.

This program is administered for CCC by the Foreign Agricultural Service. It provides U.S. exporters with financing of their export sales of a number of U.S. farm products for periods up to 36 months. Interest rates are in line with commercial rates. This is a commercial program, not a foreign aid program. It applies only to agricultural commodities that are moving under commercial sales transactions.

One important thing this program does for us is to enable our exporters to meet credit terms offered by their international competitors. Partly this competition comes from other Free World exporters, partly it comes from the Communist suppliers.

Another contribution by this program is that the deferred payment arrangements make it easier for a country to buy our farm products and thereby encourage it to buy more than if it had to pay cash. This is particularly important among those countries that are improving their financial positions but haven't yet joined the affluent society.

The CCC export credit program exists pretty much for the single purpose of helping to facilitate, and thereby expand, the export of U.S. farm products. Because it does stimulate the export flow of our farm products, it has some agribusiness overtones but perhaps not as many as the other three programs.

Private trade sales agreements

One of the devices that helps to keep the lifeblood of the American economy moving is our use of credit in unusual ways. This same kind of imagination has given birth to an export credit feature of Public Law 480 which is known as the Private Trade Sales Agreement Program. In our governmental jargon we call it the "private trade entity" program, or PTE.

This program is administered by the Foreign Agricultural Service. Under it, we are permitted to sign an agreement with a foreign private trade group, or entity, whereby it will import a specified amount of our agricultural commodities, will sell or use these commodities within its own country as a means of generating capital funds, will use these funds to finance stipulated development enterprise, and will pay us for the commodities, in dollars, usually in installments, over an extended period of time running as much as 20 years.

Since 1964, when the PTE program went into operation, we have signed 10 of these agreements. The export financing thus provided covers the shipment of more than $75 million of U.S. farm commodities, including some ocean transportation costs. Areas involved are Iran, Spain, the Canary Islands, Taiwan, South Korea, Chile, and Guatemala.

Let me cite the details of the PTE agreement with South Korea as an example.

Last year the Department of Agriculture signed a PTE dollar-credit agreement with Purina Korea, Inc., of Seoul, Korea, covering the export of $1.4 million worth of U.S. feedgrains. Purina Korea, Inc., is a joint U.S.-Korean private company in which Ralston-Purina is the American partner.

Under the agreement, Purina Korea, Inc., will buy approximately 900,000 bushels of U.S. feedgrains from private U.S. traders during the 3 years 1968-70. CCC will finance the purchase.

Purina Korea, Inc., will use the feedgrains in the production of feeds to sell to Korean farmers. As it sells the feeds, the company will use the capital so generated in building feed milling facilities to service the growing demand for feed for Korea's expanding livestock and poultry industries.

Purina Korea, Inc., will pay CCC for the feedgrains in two annual installments with interest at the rate of 4⅜ percent.

Another example is our PTE agreement with a large agricultural cooperative federation in Spain known as COES.

This agreement was signed 3 years ago. It authorized the financing of U.S. feedgrain shipments totaling $35 million, including some ocean transportation costs. So far, about $7 million of the grain actually has been shipped.

As COES imports grain (so far it has been taking corn), it is using the product as a source of capital to finance slaughterhouses, grain-storage and feed-handling facilities, and

transportation equipment. Also, it hopes to use capital so generated to import a large number of beef cattle from the United States.

COES is paying CCC for the feedgrain in 10 annual installments. The interest rate is 4⅛ percent.

We carried out a PTE agreement with PERSIGAS, a private company in Iran that processes and distributes liquid petroleum gas. Shipments of American wheat were used by PERSIGAS to generate capital to expand its gas processing and distribution facilities in Iran and some provincial centers. Some of the equipment used in the expansion was bought from U.S. suppliers. This was a $750,000 transaction; credit terms were six annual installments at 4 percent.

Our latest PTE agreement, which was signed in March, is our second one with the Bank of Development and Rural Cooperatives in Iran. In this case, shipments of $13.5 million worth of American soybean oil will generate capital for the bank to use in financing agricultural improvement projects for Iranian farmers. The credit terms are 15 annual installments at 5½ percent.

These private trade credit agreements are not always easy to arrange or carry out. Some of them can be full of headaches. The fact that they are an unusual way of doing business is a complication in itself. Add to that the fact that we have a mixture of U.S. Government, U.S. private trade, and foreign private industry all trying to work together, and it becomes even more complicated. Nevertheless, we are satisfied that this is a worthwhile program. We think it is particularly useful in those countries where governments are pushing hard on national development programs and are encouraging private industry. We expect to continue using the PTE program wherever it appears feasible and appropriate and will welcome ideas on how to apply the program to agribusiness export interests.

Loans to private enterprise

Another credit program of special interest to agribusiness is the so-called Cooley loan program.

This feature of Public Law 480 is made possible by the fact that when we sell a developing country some of our agricultural commodities under Title I of the food aid program and accept a soft currency in payment, we tend to end up with a considerable amount of these foreign currencies in the bank.

Section 104(e) of Public Law 480 provides that these foreign currency proceeds are to be made available to the maximum extent for loans to (1) U.S. firms or their branches, subsidiaries, or affiliates for business development and trade expansion in the foreign country; or (2) either U.S. firms or firms of that country for facilities to increase the consumption and utilization of U.S. agricultural products.

This program is administered by AID. Loans are repayable in the currency of the country at interest rates comparable to those charged in that country.

Cooley loans cannot be made in behalf of any product intended to be exported to the United States in competition with U.S. products or that will compete with U.S. agricultural products at home or abroad. Despite the restrictions on use of funds, this is an active program. Since its beginning, 384 loans have been made to private business firms in 30 countries for a dollar-equivalent value of well over $300 million.

The activities generated by such loans have included the production of boxes and batteries in Israel; pharmaceuticals and fertilizer in Pakistan; carbon black, hydraulic mechanism and control gear, cement, seed processing equipment, chemicals, and pharmaceuticals in India; animal and poultry feeds in Chile; and cotton storage facilities in Korea.

Prior to 1968, Cooley loan funds were available only in those countries where there were "excess" Public Law 480 foreign currencies (that is, amounts of such currencies in excess of our normal requirements for a 2-year period). Over the years there has been a general shift to harder financial terms and the number of "excess" currency countries has declined. In the 1968 extension of Public Law 480 the program was amended to provide, among other things, funds for Cooley loans in Public Law 480 program countries that are not on an "excess" currency basis. This amendment and its application will broaden the use of the program.

This is another useful program that has possible application to agribusiness.

Agricultural market development

Our largest and most active single resource for assisting agribusiness is the agricultural market development program.

This is a jointly financed program in which the Department of Agriculture is teamed up with more than 60 U.S. agricultural producer and trade organizations; together we carry out export-building operations in some 70 countries. Exports of practically every major U.S. agricultural product, and a large number of products of the food industry, are being helped. In fact, the record-breaking exports of agricultural commodities that we have achieved in recent years can be attributed in many cases to this market promotion operation.

The government's share of money that goes into this program has its origin in Public Law 480 sales of U.S. farm products for foreign currencies, the same as with the Cooley loan program. The law stipulates that when we sell agricultural products to a developing country and accept its currency in payment, up to 5 percent of that currency is to be set aside and made available to support market development work. It is this source of financing that has made our market development program possible. Government expenditures for market development last year amounted to $13 million.

The agricultural trade groups that work with us in market development raise funds for their share of program costs through voluntary contributions from their members—who include producers, warehousemen, elevator operators, cooperatives, processors, and exporters. In some States, legislative arrangements provide funds for such purpose. The U.S. groups also obtain contributions from foreign importers and processors who handle our food and agricultural products, and who stand to gain financially as their volume increases.

Although the U.S. Government originally sponsored this market development program, export promotion is primarily the responsibility of the trade. We consider private industry to be the senior partner, and we are the junior partner. Our job is to help guide and partially finance the program. Private industry's job is to provide initiative and direction, as well as a large share of the funds, goods, and services.

For the greater part, the program is carried out through specific cooperative projects. These projects are many and varied.

The first thing a private trade cooperator does when ap-

proaching a given country is to carry out a professional market analysis to determine that country's potential as a market, the trade barriers that exist, the competition, the best sales techniques to use, the budget required, and other factors involved in planning a successful marketing campaign. Having established a goal, the cooperator carries out whatever actions seem appropriate to reach his target.

The activities and results of this program are far too many to detail, but a few examples will give an impression of what is being done.

Wheat in Japan

In Japan, which traditionally has been a rice-eating nation, wheat products have been added to the national diet, and a valuable commercial market for American wheat has been created. This whetting of the Japanese taste for wheat products has been brought about through a purposeful campaign which has included:

- Cooperation with the Japanese Government in introducing wheat products into the national school lunch program;
- Training Japanese home economists who have visited cities and villages, demonstrating how to cook wheat products in the home;
- Training flour millers and bakers in the preparation of wheat products;
- Bringing Japanese wheat importers, millers, bakers, and distributors to the United States to get acquainted with our supplies and suppliers;
- Sending teams of U.S. wheat people to Japan to build sales contacts;
- Special promotions in Japan, such as "sandwich weeks" and doughnut sales. And many more.

In Japan, we have helped to build an entire new wheat products industry. There was none before the war. There is a thriving one now.

Not only has the American wheat grower benefited from this new industry but so has the American agribusinessman. A great amount of new equipment has been put into motion in Japan's new wheat products industry. The Japanese are excellent craftsmen and, of course, built as much of this equipment as they could. A fairly substantial amount of it, however, was imported—and, in considerable part, from the United States.

Soybeans in Spain

Another example is Spain. In Spain our American soybean people have built a new market which for soybeans alone, not including soybean products, amounted to $73 million in the 1966-67 year.

To handle these soybeans, Spanish businessmen have built a new soybean utilization industry. They have built new crushing plants, which separate the soybeans into their two principal components—oil, used mainly as food, and meal, used mainly as a high-protein supplement in livestock and poultry feeds. Both products are needed in Spain. The less-expensive soybean oil is now being used widely in the kitchens of Spanish homes, which releases a substantial amount of Spain's own higher priced olive oil so that it can be exported as an important earner of foreign exchange. The soybean meal, together with feedgrains imported from the United States, is helping to produce more of the meat, poultry, dairy products, and eggs that Spain needs to feed its own people and its big annual crop of tourists.

Here again, both the American farmer and the American businessman are benefiting. Spain has had to put into operation new soybean crushing facilities, new feed mixing plants, new poultry and livestock handling facilities, and new marketing equipment. Spain is not a highly industrialized nation, and much of this equipment has been coming in from outside, including the United States.

Impact on agribusiness trade

Wherever our agricultural market development work is taking place, there is an agribusiness impact. We have featured American frozen foods at international trade fairs, and some of the people who came to visit us were more interested in the freezer display case than they were in its contents. We have promoted sales of our fresh fruits and vegetables at department stores and trade centers in Europe, and this has stimulated new business for American airlines who transport the fresh produce and for the makers of the crates into which the produce must be packed. We have promoted the sales of hatching eggs and baby chicks in countries that want to build better poultry industries, and this has created new sales for American brooders and other poultry raising equipment.

The more that we are involved in this fascinating business of developing foreign markets for American farm products, the more we are aware of the inescapable fact that whenever we pluck the string in agricultural exporting, it produces a sympathetic vibration in agribusiness exporting. This is good because each vibration tends to reinforce the other.

We have had good results from our efforts in both rich and poor nations. We have seen, in particular, how U.S. exports and investments can contribute materially to the development of nations. And, this development in turn generates even larger markets for U.S. products.

We need at this time to take a good look at the entire spectrum of marketing needs and systems of importing countries, particularly the developing countries, and see where American products, both those of agriculture and those of agribusiness, can go in together. We need to see where we can do a better job of using our agricultural export programs to meet the needs of agribusiness. The Agribusiness Industry Advisory Committee, representing a cross section of the American agribusiness community with experience and interests in foreign markets, can do much to help an industry-government partnership to better develop markets for U.S. products and contribute to the economic growth of many nations around the world.

Canada Has Turkey Problems

In a recent meeting with the new Minister of Agriculture, the Canadian Turkey Federation requested the government to initiate a price support program and restrict imports, permitting not more than 1 million pounds of turkeys to be imported in any one quarter. The delegation pointed out that the turkey industry has never requested any financial assistance from the government in the form of subsidies, deficiency payments, or other government aids.

On July 1, 1968, Canadian stocks of turkeys in storage amounted to 20.8 million pounds, compared to 18.1 million a year earlier. The federation is also aware of the relatively high U.S. stocks. They are afraid that exports from this country will disrupt their domestic market.

Mexico's Pacific North—

Desert Plus Water Equals Farm Prosperity

By RICHARD S. MAGLEBY
Foreign Regional Analysis Division
Economic Research Service

The rim of land surrounding the Gulf of California is not at first glance one of Mexico's most promising agricultural areas. The climate ranges from semiarid in the southern and mountain areas to very arid in the northern and coastal regions. But extensive irrigation projects using both surface and underground water, together with some local initiative, have made the region a major source of vegetables, fruits, wheat, and cotton for both domestic and foreign markets.

Mexico's northwest coastal region (the States of Nayarit, Sinaloa, Sonora, and Baja California plus the Territory of Baja California) has been a leader in the country's expansion of agricultural production. In the 11-year period between 1950 and 1961 farm output averaged an annual increase of 8 percent. The average annual rate for all of Mexico was 4 percent. During the same period, the region's share of total Mexican production climbed from 14 to 22 percent.

Irrigation systems and farm production are centered in Sinaloa and the southern part of Sonora in an area known as the West Coast. Here the layout of the land lends itself especially well to the use of river water for irrigation. Precipitation in the mountains runs off into numerous rivers; and where the streams leave the mountains or foothills, dams can often be built to store the water and channel it into an irrigation system. At present, nine dams and reservoirs are in operation on the West Coast. Seven are directly used to distribute irrigation water. The other two are used for flood control and storage.

This year water for irrigation is relatively abundant in the systems because of good winter rains in the mountain areas. Also, many of the dams have been recently heightened so that the reservoirs they control hold more water. Even so, to achieve the full agricultural potential of the area more irrigation projects and a somewhat different distribution of water are needed. Several new works are under construction, and others are being planned.

Plans and projects

In all, 10 more dams and reservoirs are planned for the area. The most immediate need, however, is to improve and expand irrigation by moving unused and unneeded water from Sinaloa north into Sonora through a system of connecting canals. Sinaloa, while it has many rivers, has a shortage of additional good tillable land, and much further irrigation cannot be profitably developed in the area. Sonora, which has much fertile unused land, has a severe water deficit.

The Pacific North's potential irrigated area is roughly estimated at over 4.7 million acres, or nearly twice what was under irrigation in 1960. A master project currently underway will help remedy the Sinaloa-Sonora water imbalance. Involved are the construction of several new reservoirs and dams, improvement of existing structures, and construction of canals and connections. At present, some 1.6 million irrigated acres are a part of the master system; projects now under construction will add over 300,000 acres. Facilities now in the planning stage of the master project could further increase irrigated area by over 1 million acres.

Extensive searches are also being made for new underground sources of water for deep well irrigation. About one-fourth of the present irrigated area is supplied with water

Above, aerial view of Culiacán, a center for processing and shipping farm goods. Right, flow-control structure on a main irrigation canal.

from wells. Although wells are scattered throughout the Pacific North, the most concentrated use is in Sonora in the Hermosillo coastal area. At present, severe restrictions exist in this area on the number of wells and the volume of water that can be pumped from a well or a series of wells.

Irrigation and farm development

Major development of irrigation in the Pacific North began in the 1940's. By 1950 the region had about 1.7 million irrigated acres, or about 16 percent of Mexico's irrigated land. By 1960 the Pacific North had about 2.7 million acres under irrigation, or 31 percent of irrigated land in Mexico. Since 1960 the pace of extending irrigated areas has slowed. Although expansion is expected in the future, it will probably not be with the early rapidity.

Farm development in areas that came under irrigation was not affected simply by the new availability of water. Often land reform went hand in hand with irrigation. When the Mexican Government began a new irrigation project, it took over sections of irrigable land and allocated it in small parcels to colonists and ejidatarios. The small and frequently uneconomic sizes of the resulting properties have hindered the development of commercial agriculture in the region.

However, means of functioning commercially within the system have been developed. Although an ejidatario cannot sell his plot, many individuals are leasing their lands to commercial farmers. The ejidatario commonly receives an annual rent plus the right to work for the commercial farmer at current wage rates. Usually, the ejidatario profits by the transaction.

Another result of land reform is that limits exist on the size of property held privately. Again, however, ways have evolved in which units of land may be combined and operated as a single enterprise.

The use of fertilizers and machinery and the establishment of producer groups and experiment stations have also contributed to agricultural development. Fertilizer use is itself a good indicator of development. By 1960 over 33 percent of the harvested area in the Pacic North received fertilizer application during the year; in 1950 only 4.2 percent of harvested land was treated.

Producer organizations in the region are strong and progressive, and they provide useful information to their members at meetings and through publications. Agricultural experiment stations have helped educate farmers, developed better seeds for the area, improved effectiveness of water and fertilizer use, and found better cultivation practices.

Machinery and fertilizer are readily available in towns in major farming areas. Farm supply companies sometimes provide managerial help and suggestions to local farmers, as do companies purchasing farm products.

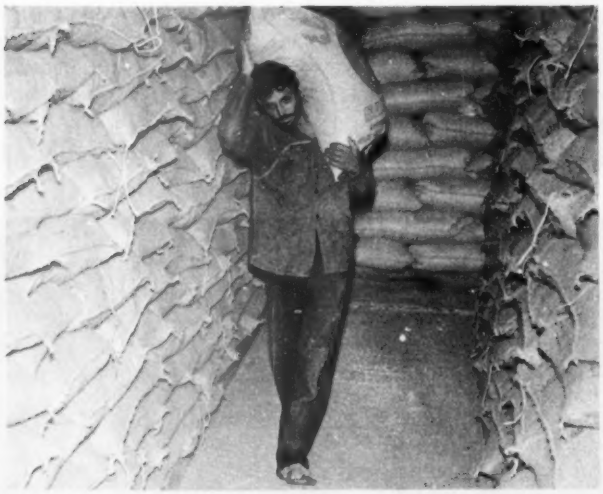
Products for home and abroad

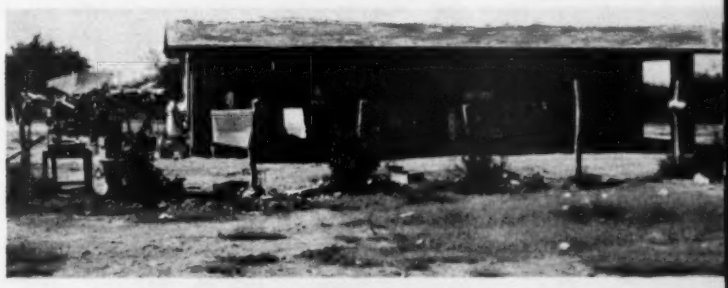
A variety of foods and fibers are grown in the Pacific North. One of the success stories in recent years has been wheat. In the 1950's Mexico was a net importer of wheat; it is now a net exporter. In the interval, Mexico's annual wheat production tripled and average yields more than doubled. Over four-fifths of the increased wheat output occurred in the Pacific North, and much was concentrated in the State of Sonora. Responsible for the increased wheat production have been new wheat varieties, increased irrigation and acreage, more fertilizer use, and improved cultivation. The new dwarf varieties of wheat, developed locally by joint efforts of Mexico's Institute for Agricultural Research and the Rockefeller Foundation, are now used in countries as far away as Pakistan and India.

Mexican cotton production has also benefited from the development of farming and irrigation in the Pacific North. The region contributed nearly one-third of the country's increase in cotton output between the early 1950's and 1960's. Cotton acreage has actually decreased; but average yields have more than doubled. The three major cotton-growing areas of the region are the West Coast, Mexicali, and La Paz. In 1967-68 these three areas grew 58 percent of Mexico's cotton crop on 48 percent of the land used for cotton.

Most cotton grown in the Pacific North is exported. Because it is similar to types produced in the United States it competes directly with U.S. cotton on world markets.

Other crops cultivated in the area in important quantities are rice, safflower, corn, soybeans, sugarcane, and fruits and vegetables. Fruits and vegetables are often grown in the fall and winter on commercial truck farms for export to the United States. Fresh tomatoes is a major export item—about 60 percent of the Pacific North's tomato harvest ends up on U.S. tables. Cucumbers, peppers, eggplant, cantaloupes, watermelons, and citrus fruits are also produced for export and as a source of supply for local markets.





Above, worker carries a sack of chickpeas in a farm-produce warehouse in Culiacán. Right, a farm supervisor's house in the State of Sinaloa.

USDA's Belfast, Stockholm, Se

The Belfast Show

America's first food show in Northern Ireland got a happy welcome from area consumers at the Belfast Ideal Home Exhibition August 28-September 14. U.S. foods included old friends and new.

Many U.S. brand names were already represented in the Northern Ireland market, and agents look toward expanding these lines. Many U.S. items such as rice and honey are already big sellers there.

But the people of Ulster greeted some foods new to them. Among these were popcorn made on the spot, raisin bread, and precooked poultry items.

Also warmly received were seasoned salt, vegetable-oil whip, and various sauces, salad dressings, and snacks, particularly nuts. Coinciding with the fair were store promotions over a wide area.

The Stockholm Show

Thousands of Swedes lined up to sample and buy U.S. foods at the 26th Stockholm International Trade Fair (St. Eriks) September 4-15. Some three-fourths of those attending the fair found their way to the American exhibit.

Special interest greeted the airborne entries—iceberg lettuce, celery, cherry tomatoes, and chilled (not frozen) beef, all flown over in only 10 hours. For the last two items, U.S. firsts in this market, sales prospects are excellent.

Other new items, all popular, were smoked whole turkey and precooked breaded turkey parts, cake mixes, and chilled doughs. But the Swedes also welcomed more familiar fare like snacks, canned vegetables, and fruit juices.

Belfast: Above, two Irish gentlewomen gravely examine a variety of processed American foods, from pineapple to popcorn. Left, above, fruit juice machine fascinates a small customer as its product comforts his weariness. Left, below, a taste of honey brings delight.

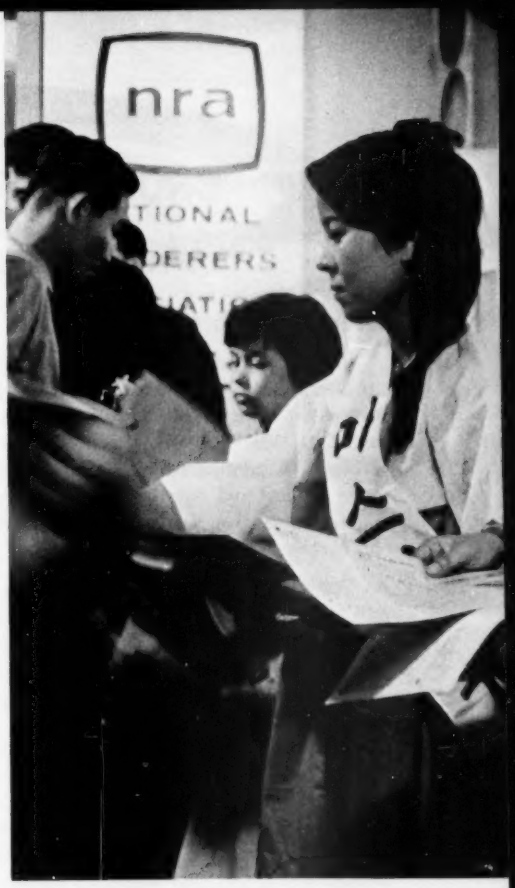
Stockholm: Right, young couple tries rolls and biscuits made of chilled dough. Below, some of the more than 300 foods on display. Below, left, portion-controlled ready-cut meats win attention at freezer.

n, Seoul Shows Span Two Oceans

The Seoul Show

The U.S. exhibit at the First Korea Trade Fair, September 9-October 20, drew so many eager viewers and samplers on opening day that traffic control of the lively crowd was briefly a problem.

In line with the Korean Government's drive to improve health and nutrition, a major accent of the U.S. show was on protein—from wheat and from animal products. Viewers showed much interest in pictures and literature explaining the production and uses of wheat, corn, soybeans, and tallow in the United States. And they snapped up all the samples of wheat foods—doughnuts, waffles, pancakes, toast, hot-dogs-on-sticks, pigs-in-blankets—with a speed that augurs well for the Korean program of introducing more wheat into the country's diet.



Seoul: Top to bottom, two of the Soap Princesses; reaching for doughnut samples; viewing USFGC exhibit.

CROPS AND MARKETS SHORTS

Weekly Report on Rotterdam Grain Prices

Between September 10 and September 17, 1968, changes in offer prices were mixed in Rotterdam. U.S. Spring wheat decreased 5 cents while U.S. Hard Winter increased by 1 cent and Soft Red Winter by 2 cents. Canadian Manitoba was up 2 cents. Argentine wheat was quoted for the first time since early August and was down 6 cents from that quote of $1.88.

U.S. corn dropped 2 cents and Argentine corn was down by 6 cents. South African corn remained unchanged.

A listing of the prices follows.

Item	Sept. 17	Sept. 10	A year ago
	Dol. per bu.	*Dol. per bu.*	*Dol. per bu.*
Wheat:			
Canadian No. 2 Manitoba	2.04	2.02	2.08
USSR 121	(1)	(1)	(1)
U.S. No. 2 Dark Northern Spring, 14 percent	1.91	1.96	1.97
U.S. No. 2 Hard Winter, 14 percent	1.92	1.91	1.96
Argentine	1.82	(1)	(1)
U.S. No. 2 Soft Red Winter	1.78	1.76	1.73
Corn:			
U.S. No. 3 Yellow	1.19	1.21	1.40
Argentine Plate	1.38	1.44	1.69
South African White	1.39	1.39	(1)

[1] Not quoted.

All quoted c.i.f. Rotterdam for 30- to 60-day delivery.

Brazilian Corn Exports Revised Upward

Brazil's corn exports for C.Y. 1968 are likely to exceed 1 million metric tons, according to Brazilian trade sources. This boosts substantially an earlier estimate of an 800,000-metric-ton export. Corn shipments through August 15 totaled about 645,000 tons according to the latest official data.

Santos, the principal port, has been plagued in recent weeks by serious congestion and delays in loading and unloading of vessels, but the backups do not seem to have caused significant delays in readying corn for export. The Government of Brazil has apparently given high port priority to ships being loaded for export as part of an overall emphasis on exports. The government also devalued the new cruzeiro for the second time this year on August 27. The new rate of exchange—NCr$3.63 to US$1.00, down from NCr$3.20 to US$1.00—has made Brazilian corn more competitive in world markets.

Antigua Expects Sugar Increase

Antigua's sugar factory produced only about 1,112 long tons of sugar in 1968, but some forecasts show as much as a fourfold increase for 1969 production. Planted acreage is expected to increase from the 9,000 acres planted this year to 14,000. New cane will be planted on 1,500 acres; 3,500 renovated acres of old ratoon cane will comprise the remainder.

The sugar factory and sugar estates in Antigua closed down in 1966. But the following year, the Antigua Government raised enough money to purchase and reopen the factory.

Arrivals of Leaf to the U.S. Steady

July 1968 general imports (arrivals) of unmanufactured tobacco totaled 11.8 million pounds. This compares with 11.2 million pounds for the previous month and an average of 32 million for the first 5 months of 1968. Comparable figures for 1967 show imports at 6.9 million pounds for July, 17.0 million for June, and an average of 32 million for the first 5 months of the year.

The volume of general imports for the January-July period in both 1967 and 1968 is about the same, with 1968 takings slightly below those of 1967.

U.S. GENERAL IMPORTS OF UNMANUFACTURED TOBACCO

Item	1967		1968	
	Quantity	Value	Quantity	Value
January-July:	*pounds*	*1,000*	*1,000*	*1,000*
Cigarette leaf (flue & burley)	*1,000*	*dollars*	*pounds*	*dollars*
	584	170	7,264	2,175
Cigarette leaf, other	159,974	109,117	135,230	91,433
Cigar wrapper	195	908	284	1,181
Mixed filler & wrapper	385	784	70	389
Cigar filler, unstemmed	12,895	4,400	21,157	6,616
Cigar filler, stemmed	1,392	1,521	2,040	2,540
Scrap	10,791	2,064	19,257	4,590
Total [1]	186,216	118,964	185,302	108,924
July:				
Cigarette leaf (flue & burley)	0	0	524	130
Cigarette leaf, other	2,718	1,887	4,668	2,213
Cigar wrapper	20	66	20	53
Mixed filler & wrapper	43	86	8	33
Cigar filler, unstemmed	2,487	1,059	1,647	477
Cigar filler, stemmed	271	344	335	475
Scrap	1,353	429	4,595	1,161
Total [1]	6,892	3,871	11,797	4,542

[1] Excludes stems.

Bureau of the Census.

U.S. Exports of Tobacco Up in July

U.S. exports of unmanufactured tobacco in July 1968, at 44 million pounds, showed a 39-percent gain over the 31 million shipped out in July 1967. The export value was $35.9 million, compared with $25.3 million in 1967.

Flue-cured exports in July 1968 were 34.0 million pounds—up 64 percent from the 20.7 million shipped out in the same period last year. During the same period, the volume of shipments of Maryland more than doubled and those of Kentucky-Tennessee went up 39 percent.

Total exports for the first 7 months of 1968 were 287.9 million pounds—up 2.0 percent from those during the same period in 1967.

Exports of tobacco products in July 1968 were valued at $11.3 million, compared with $14.2 the previous July. For the first 7 months of 1968 the total value of all tobacco product exports was $84.3 million—up 3.2 percent from last year.

U.S. EXPORTS OF UNMANUFACTURED TOBACCO
[Export weight]

Kind	July		January-July		Changes from 1967
	1967	1968	1967	1968	
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*	*Percent*
Flue-cured	20,723	34,030	204,396	217,886	+ 6.6
Burley	5,367	2,140	30,389	19,851	−34.7
Dark-fired Ky.-Tenn.	1,465	2,037	12,292	10,451	−15.0
Va. fire-cured [1]	137	290	2,248	2,436	+ 8.4
Maryland	827	1,880	8,224	6,587	−19.9
Green River	43	4	762	469	−38.5
One Sucker	12	0	667	198	−70.3
Black Fat	476	362	2,525	1,445	−42.8
Cigar wrapper	315	341	2,187	2,752	+25.8
Cigar binder	35	52	1,428	1,811	+26.8
Cigar filler	2	0	473	230	−51.4
Other	2,023	2,560	16,760	23,748	+41.7
Total	31,425	43,696	282,351	287,864	+ 2.0
	Mil. dol.	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Percent*
Declared value	25.3	35.9	239.0	244.8	+ 2.4

[1] Includes sun-cured.
Bureau of the Census.

U.S. EXPORTS OF TOBACCO PRODUCTS

Kind	July		January-July		Change from 1967
	1967	1968	1967	1968	
Cigars and cheroots					*Percent*
1,000 pieces	5,181	4,518	41,766	41,923	+ 0.4
Cigarettes					
Million pieces	2,270	1,810	14,370	13,836	− 3.7
Chewing and snuff					
1,000 pounds	39	58	194	178	− 8.2
Smoking tobacco in pkgs.					
1,000 pounds	68	241	659	941	+42.8
Smoking tobacco in bulk					
1,000 pounds	2,707	1,602	9,783	11,035	+12.0
Total declared value					
Million dollars	14.2	11.3	81.7	84.3	+ 3.2

Bureau of the Census.

Iran's Cotton Production Increases

Iran's cotton production is expected to be up sharply this season and may reach a record high of 690,000 bales (480 lb. net). This would represent an increase of about 30 percent from the 528,000 bales harvested in 1967-68. The 1968 output compares with the previous record of 645,000 bales in 1964-65 and a 1960-64 average of 494,000 bales. Harvesting, now in progress, is running about 2 weeks late. Area devoted to cotton is estimated at 890,000 acres, up from 717,000 acres a year earlier but below the 1960-64 average of 943,000 acres. The average yield, based on current area and production estimates, is 372 pounds per acre, compared with 353 pounds in 1967-68. Favorable weather and timely pest control contributed to the record yields.

Iranian cotton of quality SM $1\frac{1}{16}$ inches is currently being offered in Liverpool at around 31.00 cents per pound. Prices have eased some since beginning of the harvest of the large crop.

Exports are expected to be around 325,000 bales in 1967-68, up from 272,000 in the previous year. Cotton shipments during the first 8 months (August to March) of 1967-68 totaled 215,000 bales. The major destinations, with figures for comparable period last season and in thousands of bales, are: the Soviet Union 48 (22), the United Kingdom 35 (23), Czechoslovakia 33 (13), Poland 28 (10), Romania 24 (24), and West Germany 23 (14).

Consumption of cotton is expected to about equal the 225,000-bale offtake of 1966-67. The textile industry continued to expand its use of imported synthetic fibers.

Canada's Flaxseed Output Up, Rapeseed Down

Canada's flaxseed production in 1968 is almost double last year's output, but rapeseed production is down one-fourth, according to the September 2 release of the Dominion Bureau of Statistics. These forecasts, however, were based on conditions as of mid-August and may not fully reflect the extent of damage from the unfavorable weather which prevailed during the last part of August.

At the current forecast of 18.2 million bushels, flaxseed production exceeds last year's reduced output by 94 percent but is 10 percent below the 1961-65 average. Seeded acreage increased by 49 percent and average yields per acre at 12.0 bushels were up 30 percent from 1967.

Rapeseed production is forecast at 18.6 million bushels, 25 percent less than last year's crop but 51 percent above the 1961-65 average. Acreage declined more than one-third, but yields averaged 17.6 bushels compared with 15.2 in 1967.

CANADA'S FLAXSEED AND RAPESEED
ACREAGE, YIELD PER ACRE, AND PRODUCTION

Year	Flaxseed [1]			Rapeseed [2]		
	Area	Yield	Production	Area	Yield	Production
		Bushels			*Bushels*	
	1,000 acres	*per acre*	*1,000 bushels*	*1,000 acres*	*per acre*	*1,000 bushels*
Average:						
1961-65	1,902	10.7	20,241	757	16.3	12,254
Annual:						
1966	1,918	11.5	22,020	1,525	16.9	25,800
1967	1,023	9.2	9,378	1,620	15.2	24,700
1968 [3]	1,524	12.0	18,227	1,052	17.6	18,550

[1] Bushels of 56 pounds. [2] Bushels of 50 pounds. [3] Preliminary.
Dominion Bureau of Statistics.

Crops and Markets Index

Cotton

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Adverse Weather Cuts Back Italy's Grain Prospects

Between severe drought in some wheat regions and late-season rains affecting corn and rice, prospects for the 1968 Italian grain crops are not as good as earlier anticipated.

The 1968 wheat crop is estimated at 9.2 million metric tons, 7.7 million for soft wheat and 1.5 million for durum. This represents a 360,000-ton decrease from last year's harvest on acreage that rose 6 percent to 10.5 million acres. A smaller durum crop, due to excessive drought damage in Sicily and the Puglie region, will be somewhat offset by the abundant soft wheat crop in central-northern Italy.

According to the Italian Minister of Finance, total soft wheat imports during the 1967-68 marketing season will be about 450,000 metric tons, dropping one-tenth from last year, and durum imports will reach approximately 375,000, down one-fourth. Imports have been low primarily because of the earlier sharp reduction in Italian flour and pasta exports owing to delayed restitution payments. This problem has now apparently been overcome. Durum imports during the 1968-69 marketing year are expected to reach 1 million tons because of this year's small domestic crop.

Controversy continues over the prospects for durum wheat production in the generally unfavorable climatic conditions of northern Italy. Trials conducted in the Po Valley in 1967 were successful. But the exceptionally dry weather was undoubtedly a large factor in this success, and the Po's usual high rainfall, humidity, and fog may cause problems for particular durum varieties. Yet, despite drawbacks, some experts believe that by 1972 Italy will have considerably expanded its durum wheat production in the north. They think that the use of new varieties and EEC incentives will offset the fact that yields are lower than in other areas. The Italian Government has decided to permit payment of the EEC-approved price for durum for the 1968-69 crop year. The guaranteed price is $125 per metric ton.

The 1968 corn crop is currently estimated between 3.8 million metric tons, the amount harvested last year, and 4 million. Adequate rainfall in June, good soil moisture, less than normal hail damage, and a 5-percent acreage increase had pointed to an outstanding crop. Then rainy weather late in the season caused some high-moisture corn problems. Corn imports decreased 17 percent from 1966-67 to 4.13 million metric tons during the 1967-68 marketing year.

The consumption of feedgrains, particularly corn, declined considerably in some areas during the first half of 1968 because of continuing low poultry and milk prices and, to a lesser extent, the replacing of hogs destroyed by African fever last year. For these reasons, estimates for 1968-69 corn imports currently range from 3.5 million to 3.8 million tons. The lower estimate seems more reasonable in view of the pending domestic crop.

Owing both to drought and decreased acreage, production of barley, oats, and rye is officially estimated at 736,000 metric tons, about 21 percent less than last year. Trade reports indicate that import figures are also lower for the three grains—barley at 820,000 tons, down 18 percent; oats at 18,000, down 18 percent; rye at 30,000, nearly the same.

Unofficial estimates now place the 1968 rice crop below the 850,000-ton crop earlier forecast. Continuing rainy weather prevented the crop from maturing properly and the quality of the paddy may be below average.

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